

Message Text

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SUBJECT: PLANTRONICS REQUEST FOR EMBASSY ASSISTANCE

PASS JACK SMITH ARA/APU

PASS EXIMBANK

REF: A) CHAPLIN/SMITH TELCON JULY 20, 1976. B) STATE 168971

1. FOR PAST SEVERAL MONTHS, WITH ASSISTANCE OF THEIR LOCAL AGENT WESTEC, PLANTRONICS HAVE BEEN ENGAGED IN ATTEMPTING TO SELL ENTEL-GOA TELEPHONE COMPANY, A COMPUTERIZED TELEX EXCHANGE SYSTEM IN COMPETITION WITH OTHER FOREIGN FIRMS, INCLUDING SIMENS AND OLIVETTI. ON ANUMBER OF OCCASIONS WESTEC HAS SOUGHT AND RECEIVED EMBASSY ASSISTANCE AND ADVICE IN COPING WITH PROBLEMS RELATED TO MAKING SALE. PROBLEMS FACING PLANTRONICS HAVE BEEN VARIED, RANGING FROM AN INITIAL BID WHICH WAS NOT PRICE COMPETITIVE TO ALLEGED DISCRIMINATION AGAINST THEM BY THE CUSTOMER. MAIN PROBLEM IS PLANTRONICS INABILITY TO OBTAIN FINANCING.

2. FIRM HAS ATTEMPTED TO SOLVE THE PRICE PROBLEM BY RECASTING THEIR OFFER WHICH WOULD ENABLE THEM TO QUOTE A LOWER PRICE. EMBASSY ASSISTED IN ATTEMPT TO OBTAIN APPOINTMENT FOR THEM WITH SECRETARY OF PLANNING KLEIN TO ASK FOR RECONSIDERATION OF THEIR OFFER, AS RECAST. (WESTEC WAS CONCERNED AT REPORTS

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THAT AWARD WOULD GO TO LOWER PRICED BIDDER, DESPITE FACT THAT

THEIRS WAS ONLY OFFER WHICH FULLY MET SPECS. THEY ARGUED THAT IF GOA WAS TO OVERLOOK THIS POINT AND NEGOTIATE WITH COMPETITORS, THEN THEY SHOULD ALSO BE WILLING TO CONSIDER PLANTRONIC'S REVISED OFFER). KLEIN WAS UNABLE TO SEE THEM BECAUSE AT TIME HE WAS ILL, BUT ECOM COUNSELOR, THEN A/DCM, DID MAKE REPRESENTATION TO SECRETARY OF COMMUNICATIONS. NIETO (WHOM WESTEC REPS ALSO SAW). IN WHICH HE PLEADED FIRM'S CASE AND ARGUED FOR NON-DISCRIMINATORY TREATMENT OF US BIDDER. LAST REPORT WE HAVE IS THAT THIS EFFORT, PLUS THOSE MADE BY FIRM ON ITS OWN BEHALF MAY HAVE BEEN SUCCESSFUL IN PUTTING OFF DECISION ON AWARD, PENDING ENTEL CONSIDERATION OF US FIRM'S NEW OFFER.

3. WHEN CONSULTED BY WESTEC ABOUT OBTAINING FINANCING IN US, EMBASSY IMMEDIATELY QUERIED EXIMBANK BY TELEPHONE ABOUT THEIR WILLINGNESS TO UNDERTAKE THE OPERATIONS IN ARGENTINA AND RECEIVED NEGATIVE REPLY. THIS INFORMATION WAS COMMUNICATED TO WESTEC, WHO WERE ADVISED THAT EXIM'S POSITION ON LENDING TO ARGENTINA WAS TO WAIT UNTIL GOA AND IMF HAD REACHED AGREEMENT ON RESOLVING COUNTRY'S BALANCE OF PAYMENTS CRISIS. WESTEC AND PLANTRONICS WERE ADVISED BY EMBASSY TO EITHER STALL FOR TIME, OR TRY TO OBTAIN FINANCING FROM THIRD COUNTRY SOURCES. IN ANY CASE THIS PROBLEM DID NOT THEN AND DOES NOT YET APPEAR TO BE CRITICAL, BECAUSE NONE OF COMPETITORS HAVE OFFERED FINANCING EITHER.

4. MOST RECENTLY (JULY 20) COMMATT, AT LUNCH WITH FIRM REPS. AGAIN EXPLAINED EXIM POLICY WHILE PROMISING EMBASSY WOULD ATTEMPT TO PROVIDE THEM WITH LATEST INFORMATION ON PROGRESS OF GOA-IMF NEGOTIATIONS AND POSSIBILITIES OF RESUMPTION OF EXIM LENDING OPERATIONS IN ARGENTINA.

5. HAD PLANTRONICS BEEN ABLE TO PROVIDE FINANCING THEY WOULD PROBABLY ALREADY HAVE BEEN AWARDED THE CONTRACT BECAUSE TECHNICALLY THEY HAVE A FINE PRODUCT DESPITE THEIR LACK OF PRICE COMPETITIVENESS. HOWEVER, ENTEL'S NATURAL TENDENCY IS TO FAVOR THE LOWER PRICED BIDDERS, AND WE PRESUME ENTEL WAS CONSIDERING AWARDED CONTRACT TO ONE OF OTHER BIDDERS, ON ASSUMPTION FINANCING WOULD EVENTUALLY FOLLOW. WE HOPE OUR REPRESENTATION HAS INDEED CASUED THEM TO RECONSIDER THIS LIMITED OFFICIAL USE

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COURSE OF ACTION, AND IF SO, BASIC PROBLEM BECOMES FINANCING. THE FIRST SUPPLIER TO PROVIDE FIRM FINANCING OFFER WILL PROBABLY BE AWARDED CONTRACT.

6. WE CAN UNDERSTAND PLANTRONIC'S AND WESTEC'S FRUSTRATION AND CONCERN OVER THIS SALE, PARTICULARLY SINCE WE ARE TOLD BY RELIABLE SOURCES THAT WESTEC IS IN A PRECARIOUS FINANCIAL SITUATION AND THIS SALE COULD MAKE OR BREAK THE FIRM. THEY ARE

NOT THE ONLY US FIRM WHOSE EXPORT PROSPECTS ARE DEPENDENT ON POSSIBILITIES FOR EXIMBANK FINANCING. EMBASSY, NEVERTHELESS, FEELS IT HAS GIVEN THEM FULLEST SUPPORT AND WE WILL, OF COURSE, GIVE THEM ADDITIONAL "POLITICAL" SUPPORT, IF DESIRED. HOWEVER, AS THE DEPARTMENT IS WELL AWARE EMBASSY NOT INVOLVED IN FORMULATION EXPORT IMPORT BANK'S LENDING POLICY TOWARDS ARGENTINA. THIS POINT, WE FEEL, IS THE CRUX OF THE PROBLEM. WE BELIEVE PLANTRONICS DOES NOT UNDERSTAND THIS LIMITATION ON EMBASSY'S ABILITY TO INFLUENCE THE BANK.

7. WOULD APPRECIATE DEPARTMENT EXPLAINING ABOVE TO PLANTRONICS EXECUTIVES AND CONGRESSMAN MATHIAS' OFFICE.
CHAPLIN

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